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FIVE CHICAGO AREA BANKRUPTCY ATTORNEYS AMONG A DOZEN DEFENDANTS CHARGED IN SEPARATE FEDERAL BANKRUPTCY FRAUD CASES

CHICAGO – Twelve area defendants, including five current and former Chicago bankruptcy attorneys who allegedly defrauded their clients and/or the U.S. Bankruptcy Court system, have been charged with federal bankruptcy fraud and related offenses in 11 separate cases filed in Chicago, law enforcement officials announced today. The cases are part of *Operation Truth or Consequences*, in which U.S. Justice Department officials, including representatives of the United States Trustee Program, today announced bankruptcy fraud related charges against 78 defendants in three dozen judicial districts nationwide.

Three defendants, **Norton Helton**, **Edward Varga** and **Lori Westerfield**, all Chicago bankruptcy attorneys, allegedly engaged in separate fraud schemes purporting to help save clients' homes from foreclosure and instead swindled them out of the equity in their homes. Varga alone allegedly defrauded clients, trustees and creditors of \$500,000, and Helton alone allegedly concealed from the Bankruptcy Court approximately \$400,000 in home sale proceeds.

Helton is expected to appear at 11 a.m. tomorrow before U.S. Magistrate Judge Arlander Keys in U.S. District Court. All of the other defendants will be arraigned at later dates.

The Chicago cases were announced by Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois; William T. Neary, United States Trustee for Region 11, which covers the Northern District of Illinois and the State of Wisconsin; Sandra T. Rasnak, Deputy Chief of the Trustees' Criminal Enforcement Unit; Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation; Tim W. Viertel, Special Agent-in-Charge of the Chicago Office of the U.S. Secret Service; Kenneth T. Laag, Inspector-in-Charge of the U.S. Postal Inspection Service in Chicago; and Barry McLaughlin, Special Agent-in-Charge in Chicago of the U.S. Department of Housing and Urban Development Office of Inspector General.

“Bankruptcy laws enable individuals in obtaining a fresh start financially,” said David Glockner, Criminal Chief of the U.S. Attorney’s Office in Chicago. “Attorneys and debtors who use the bankruptcy system, however, have an obligation to provide complete and accurate financial information; otherwise, they undermine the system and expose themselves to criminal prosecution.”

Mr. Neary said: “The cases we are announcing today will send a clear message that abuse of the nation’s bankruptcy laws will not be tolerated. The U.S. Trustee’s Program is grateful to the U.S. Attorney’s Office for prosecuting these cases.”

Officials also announced the creation of a new Internet hotline for reporting suspected bankruptcy fraud to the U.S. Trustee Program, the Justice Department component that promotes and protects the integrity of the bankruptcy system. The public can now report suspected bankruptcy fraud via email to USTP.Bankruptcy.Fraud@usdoj.gov

Details of the Chicago cases follow. In each case, conviction on each count of bankruptcy fraud, making false statements and mail fraud carries maximum penalties ranging from 5 to 20 years in prison and a \$250,000 fine. As an alternative, the Court may impose a fine totaling twice the gain

to the defendant or twice the loss to any victim, whichever is greater, and restitution is mandatory. The Court also would determine the appropriate sentence to be imposed.

In each case, the public is reminded that criminal charges contain only allegations and are not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

United States v. Norton Helton

Norton Helton, 45, of Chicago, a bankruptcy and real estate lawyer, was charged with bankruptcy fraud in a criminal complaint filed yesterday. According to the complaint, Helton worked with a business, identified as Company A, and later with his own business, Diamond Management of Chicago, Inc., which offered “mortgage bailout” programs to homeowners facing foreclosure. These bailout programs consisted of fraudulently inducing homeowners to transfer their property to “investors” who would allegedly hold these properties for a period of time while the former homeowners attempted to improve their financial position. Homeowners could allegedly repurchase their homes from the investors if they were financially able at the end of a set period of time. Helton then allegedly filed bankruptcy petitions for at least nine clients which concealed these property transfers in order to keep approximately \$400,000 in proceeds from becoming part of the debtors’ bankruptcy estates. The government is being represented by Assistant United States Attorney Joel Hammerman.

United States v. Thomas O’Connell Holstein

Thomas O’Connell Holstein, 59, of Delavan, Wisconsin, a bankruptcy lawyer, was indicted by a federal grand jury yesterday on three counts of bankruptcy fraud and six counts of making false statements in connection with three separate bankruptcy cases on behalf of clients. Holstein allegedly concealed from his clients his impending suspension from the practice of law and prepared bankruptcy documents that concealed his role in their preparation and his receipt of attorney fees. (AUSA Brian Netols.)

United States v. William Ramon Jackson

William Ramon Jackson, 62, of Chicago, a now-disbarred attorney, was charged yesterday in a three-count indictment with bankruptcy fraud, illegally receiving bankruptcy estate property and converting bankruptcy estate property to himself. Jackson, representing a debtor corporation, allegedly lied to the Bankruptcy Court regarding the whereabouts of \$28,000 in attorney fees the court had ordered Jackson to return to the bankruptcy trustee. Jackson also allegedly received and kept for himself a \$6,098 check payable to the debtor corporation. (AUSA Christopher Hotaling.)

United States v. Charlotte Schuett and Edward Varga

Charlotte M. Schuett, also known as “Charlotte Prill” and “Charlotte Stark,” 46, of Lake Havasu City, Arizona, and formerly of Lakewood, Illinois, and attorney **Edward J. Varga**, 47, of Aurora, Illinois, were charged yesterday in an eight-count indictment with bankruptcy fraud, mail fraud, and falsifying documents in bankruptcy cases. The indictment alleges that Schuett and Varga, in the guise of assisting individuals facing foreclosure of their homes, allegedly convinced these homeowners to sell their homes to “investors” while in bankruptcy or just before entering bankruptcy. Schuett and Varga, through the use of false statements and documents, allegedly ensured that the closings took place, the sale proceeds were signed over to Schuett and not the sellers, and the sale and existence of the proceeds were concealed from the Bankruptcy Court, the trustees, and creditors. Schuett and Varga allegedly defrauded property owners facing foreclosure, creditors, and bankruptcy trustees of approximately \$500,000. (AUSA Michelle Nasser Weiss.)

United States v. Lorie K. Westerfield

Lorie K. Westerfield, 41, of Chicago, an attorney, was indicted yesterday on three counts of allegedly filing false documents in bankruptcy cases. Westerfield allegedly purchased a residence from a client for \$153,000, and then failed to disclose the property transfer or the sale proceeds received by her and her client in a bankruptcy petition she filed on the client’s behalf. Westerfield also allegedly omitted information from that bankruptcy petition, and from a subsequent petition, regarding prior bankruptcy petitions Westerfield had filed on behalf of the client. (AUSA Rick Young.)

United States v. Kathy M. Bartels

Kathy M. Bartels, 46, of Rockford, also known as “Kathy M. Hoefler,” was charged yesterday in Rockford, Illinois, with concealing more than \$70,000 from the bankruptcy trustee, creditors and the U.S. Bankruptcy Trustee in her personal bankruptcy case. (AUSA Michael Love.)

United States v. Brian Hughes

Brian Hughes, 34, of Chicago was charged yesterday in a four-count indictment with bankruptcy fraud and making false statements in bankruptcy cases. Hughes allegedly filed multiple fraudulent bankruptcy cases to avoid foreclosure of his residence and repossession of his Mercedes-Benz. He also allegedly acted as a bankruptcy petition preparer without disclosing his role, and filed a fraudulent bankruptcy case for an individual. (AUSA Weiss.)

United States v. Sherry Kolthoff

Sherry L. Kolthoff, 51, of Rockford, was indicted yesterday by a federal grand jury in Rockford for allegedly falsely claiming in her bankruptcy documents that she did not have an interest in a decedent's estate and concealing her interest in the property. (AUSA Love.)

United States v. Craig D. McKinley

Craig D. McKinley, 46, of Sauk Village, has pleaded not guilty after being charged in a six-count indictment on August 29 with allegedly engaging in a bankruptcy fraud scheme, concealing assets, and mail fraud. McKinley allegedly engaged in serial filing of bankruptcy cases to prevent creditors from collecting debts and foreclosing on property he owned. McKinley also allegedly falsified his bankruptcy papers as well as real estate and automobile loan applications. (AUSA Carolyn McNiven.)

United States v. Erica Reaves

Erica M. Reaves, 26, of Chicago, was indicted yesterday for allegedly making false statements in her bankruptcy petition by failing to disclose all Social Security numbers that she had used and by failing to disclose all of her unsecured debts. She also allegedly used a Social Security number not assigned to her in connection with a loan application. (AUSA Maggie Schneider.)

United States v. Constantinos Zombanakis

Constantine Zombanakis, 43, of Chicago, was indicted yesterday on two counts of bankruptcy fraud based on his alleged false statements in bankruptcy documents and concealment of his interest in a decedent's estate. (AUSA Netols.)

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